

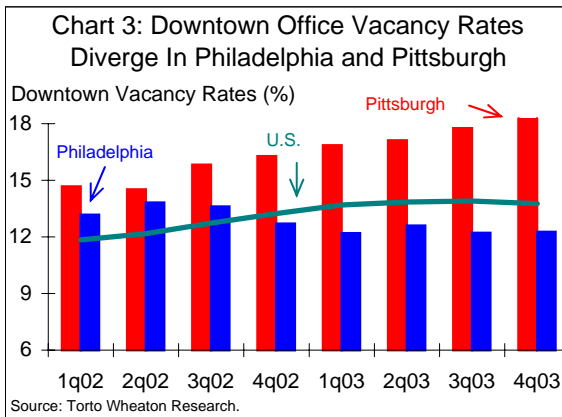
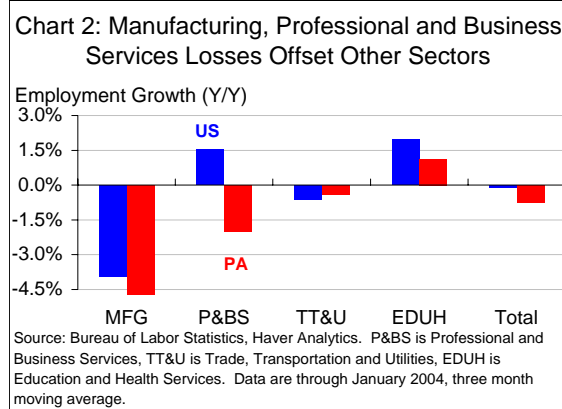
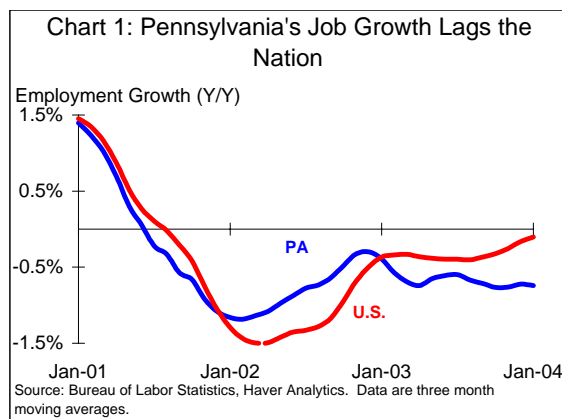
FDIC State Profile

Spring 2004

Pennsylvania

Pennsylvania's job growth continued to lag the nation through January 2004. The ongoing rationalization in the manufacturing sector has dampened statewide employment.

- Pennsylvania's rate of job growth was negative through January 2004 (See Chart 1). The negative reading belies job growth in the Altoona, Johnstown, Philadelphia, Williamsport and York metropolitan areas (MSAs). Among the areas with the weak job growth were Sharon, Scranton and Pittsburgh. These three areas accounted for almost a quarter of the state's manufacturing job losses.
- Pennsylvania's manufacturing sector continued its slow recovery from deep recession (See Chart 2). The education and health services sector solidified its position among the state's strongest growth industries. Favorable demographic trends helped education related job growth, while concerted investment in healthcare related innovation, especially in biotechnology, helped the state's healthcare sector.
- Home price growth in most of Pennsylvania's cities was lower than the nation in 2003. During the fourth quarter 2003, however, the rate of home price appreciation in Philadelphia and Allentown was slightly higher than the national rate of 7.98 percent. Lower home price appreciation in general has limited the amount of equity available to homeowners and may, in part, limit the role of the consumer in the state's economic recovery.
- Office market conditions in downtown Pittsburgh and Philadelphia diverged in 2003 (See Chart 3). Downtown Philadelphia's vacancy rate declined in keeping with an improving employment picture.
- Weaker office employment growth contributed to an increase in the downtown Pittsburgh vacancy rate. A \$400 per year downtown parking tax, enacted to help alleviate the city's budget deficit, took effect in 2003. Additionally, proposals to increase the commuter tax and to expand the tax base could increase costs for firms located in Pittsburgh, hindering office market conditions. Banks headquartered in Pittsburgh reported a higher CRE delinquency ratio than the statewide average; however, their ratio of CRE to capital levels remained modest.



State Profile

Following five consecutive quarters of decline, net interest margins (NIMs) rebounded in fourth quarter 2003.

- The median NIM reported by the state's insured institutions increased in the fourth quarter, following a contraction from second quarter 2002 throughout much of 2003.¹ Asset yields stabilized, while funding costs declined further in the fourth quarter, in response to continuation of very low short-term interest rates (See Chart 4).

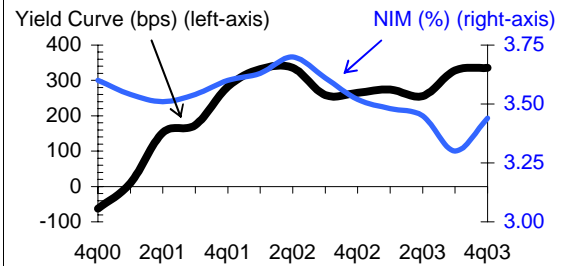
The higher concentration of long-term assets at insured institutions in Pennsylvania heightens the importance of proper interest rate risk management.

- Pennsylvania institutions have a higher median ratio of long-term assets-to-average earning assets relative to the nation (See Chart 5).
- A significant number of residential mortgage lenders and the popularity of long-term mortgage products in metropolitan areas of the Northeast, contribute to the higher ratio.
- Insured institutions with high concentrations of long-term assets may face margin compression, asset depreciation, and extension in asset duration should interest rates continue to rise, thereby heightening the importance of proper interest rate risk management practices.

After weakening during the 2001 recession, overall credit quality among Pennsylvania's insured institutions improved in 2003.

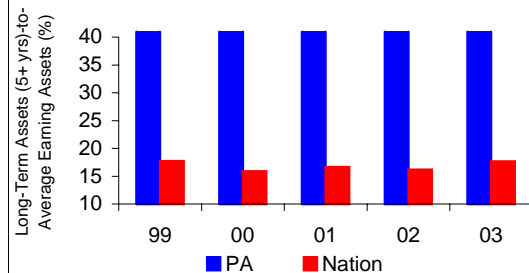
- The median loan delinquency ratio reported by insured institutions headquartered in the state stabilized in the second half 2003.
- After increasing in the 2001 recession, the loan delinquency rate reported for the Pittsburgh MSA banks declined in fourth quarter 2003, although it remained slightly higher than the statewide ratio (See Chart 6).

Chart 4: Median NIM Rebounds Modestly in Fourth Quarter 2003



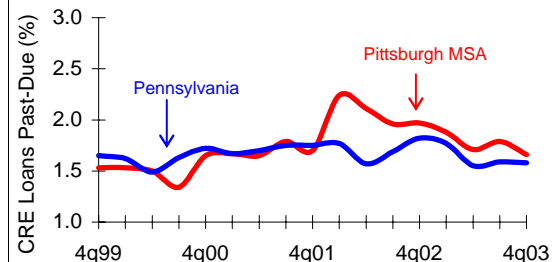
Notes: "Yield Curve" is the difference between the yield on ten-year and three-month U.S. Treasury securities. Source: Federal Reserve Board and Bank and Thrift Call Reports.

Chart 5: Long-Term Asset Concentrations Traditionally Are Higher in Pennsylvania than the Nation



Note: Excludes credit card banks, thrifts, and banks less than three years old. Median data displayed. Source: Bank Call Reports.

Chart 6: Pittsburgh's Loan Delinquency Rate Has Declined, Closing the Gap with the State



Note: Includes loans 30 days or more past-due. Excludes credit card banks and banks less than three years old. Source: Bank and Thrift Call Reports.

¹"Insured institutions" excludes credit card banks and banks less than three years old, unless otherwise stated.

Pennsylvania at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	270	283	294	303	309
Total Assets (in thousands)	297,084,785	285,460,882	273,579,883	265,328,685	262,303,075
New Institutions (# < 3 years)	10	10	19	16	16
New Institutions (# < 9 years)	27	31	30	26	24
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.04	9.03	8.98	9.34	9.27
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.51%	1.73%	1.69%	1.61%	1.52%
Past-Due and Nonaccrual >= 5%	22	27	28	23	21
ALLL/Total Loans (median %)	1.14%	1.12%	1.06%	1.06%	1.05%
ALLL/Noncurrent Loans (median multiple)	1.56	1.38	1.41	1.60	1.62
Net Loan Losses/Loans (aggregate)	0.34%	0.46%	0.83%	0.25%	0.23%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	16	22	24	20	28
Percent Unprofitable	5.93%	7.77%	8.16%	6.60%	9.06%
Return on Assets (median %)	0.87	0.92	0.84	0.92	0.95
25th Percentile	0.57	0.61	0.52	0.61	0.67
Net Interest Margin (median %)	3.39%	3.63%	3.52%	3.66%	3.75%
Yield on Earning Assets (median)	5.55%	6.42%	7.30%	7.68%	7.41%
Cost of Funding Earning Assets (median)	2.16%	2.83%	3.81%	4.04%	3.70%
Provisions to Avg. Assets (median)	0.09%	0.12%	0.10%	0.09%	0.10%
Noninterest Income to Avg. Assets (median)	0.50%	0.48%	0.47%	0.43%	0.42%
Overhead to Avg. Assets (median)	2.51%	2.54%	2.53%	2.54%	2.60%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	76.87%	76.89%	79.89%	83.44%	81.97%
Loans to Assets (median %)	59.27%	60.08%	64.14%	64.91%	65.26%
Brokered Deposits (# of Institutions)	44	37	32	29	28
Bro. Deps./Assets (median for above inst.)	1.14%	2.07%	2.11%	2.00%	2.66%
Noncore Funding to Assets (median)	18.28%	17.71%	17.08%	16.76%	16.73%
Core Funding to Assets (median)	69.73%	69.79%	70.19%	70.56%	71.78%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	65	65	67	66	66
National	77	80	82	90	94
State Member	27	28	31	31	33
S&L	27	33	34	35	37
Savings Bank	24	26	29	32	31
Stock and Mutual SB	50	51	51	49	48
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Philadelphia PA-NJ PMSA	74	61,422,811	27.41%	20.68%	
No MSA	65	31,095,534	24.07%	10.47%	
Pittsburgh PA	42	112,616,249	15.56%	37.91%	
Harrisburg-Lebanon-Carlisle PA	19	11,634,844	7.04%	3.92%	
Scranton--Wilkes-Barre--Hazleton PA	14	5,182,342	5.19%	1.74%	
Allentown-Bethlehem-Easton PA-NJ	14	6,608,511	5.19%	2.22%	
Lancaster PA	8	9,757,596	2.96%	3.28%	
Johnstown PA	8	2,297,173	2.96%	0.77%	
Reading City PA	7	47,927,082	2.59%	16.13%	
York PA	4	1,168,284	1.48%	0.39%	
Williamsport PA	4	1,122,416	1.48%	0.38%	
Altoona PA	4	621,384	1.48%	0.21%	
Sharon PA	3	4,758,786	1.11%	1.60%	